



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

**Testimony of Karen G. Mills
Administrator**

**Before the
Committee on Small Business & Entrepreneurship
United States Senate**

Fiscal Year 2011 Budget Hearing

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Chair Landrieu, Ranking Member Snowe and members of the Committee, thank you for the opportunity to discuss the President's FY11 Budget for the SBA. This budget of \$994 million reflects a commitment to growing businesses and creating jobs, and to fiscal responsibility.

Access to capital remains a top priority. Already, our raised guaranty and reduced fees combined with an improving lending environment have brought back nearly 1,200 lending partners. These lenders have helped put \$25 billion in the hands of small business owners. I want to thank you for extending our Recovery Act loan enhancements through the end of May. This will support about \$2.8 billion in small business lending under our 7(a) and 504 programs. As you know, the Administration is proposing to extend the Recovery Act provisions through the end of the Fiscal Year; I hope we can achieve that.

This 2011 budget supports more than \$28 billion in lending through the 7(a), 504, Small Business Investment Company, and

Microloan programs. It also incorporates increasing the loan sizes in 7(a) and 504 to \$5 million. Also, we've set a goal of increasing by 15% our active lending partners by the end of FY11 to make sure even more people can get these loans.

A second priority is small business contracting. We're committed to working across the agencies to meet the government's goal of awarding 23 percent of prime contracts to small businesses. Our work will also help Federal agencies meet the procurement goals set for veterans, women, disadvantaged businesses, and businesses located in HUBzones. We've requested \$2 million to help meet these goals, while removing ineligible firms and rooting out waste, fraud, and abuse. We also look forward to implementing the women's contracting rule.

A third priority is counseling. Our 14,000 SBA-affiliated counselors are critical to meeting small-business needs. This budget includes \$134 million to support our 900 Small Business Development Centers, 100 Women's Business Centers and 350 chapters of SCORE, our mentoring program.

We also request \$3 million for Emerging Leaders, an intensive classroom-based entrepreneurship education program. This builds on a pilot that has helped entrepreneurs in distressed areas create jobs, increase revenues, find financing, and get contracts. In 2010, the pilot is reaching out to Native-American-owned firms in 12 additional cities.

This budget supports a disaster loan program that is in a constant state of readiness. The budget will help us keep low turnaround times on loans while supporting a loan volume of \$1.1 billion for homeowners and businesses.

This 2011 budget also advances another critical priority – to support high-growth small businesses that drive American innovation and global competitiveness.

- It requests \$2 million to develop better management and oversight for the **Small Business Innovation Research** program as well as implementing performance metrics for the program. From 2002 to 2006, about 25% of *R&D Magazine*'s top 100 annual innovations came from firms that received an SBIR award.
- This budget also requests \$11 million for **regional innovation clusters**. Clusters help small businesses in a certain area and industry to join forces and gain more access to university research, workforce training, international markets and more.
- The SBA has already served as lead agency for a robotics cluster for Michigan's hard-hit auto suppliers. We're also a collaborating agency in a nationwide competition for an energy-efficiency cluster. Our extensive bone structure of counselors and partners will play a critical role "on the ground" in supporting federal clustering efforts.

In addition to external goals, we'll continue our **internal** focus on building SBA into a more high-performing organization by investing in people, technology, and oversight.

For our people, we're increasing our efforts in management training, mentoring, and succession planning. This budget also reflects a slight increase to 2,209 regular full-time employees.

In technology, we're modernizing our loan management system and upgrading our web presence to better serve our customers.

And in oversight, we request \$2 million for more lender oversight and on-site reviews, and \$1 million for stronger program assessments.

In closing, we know that small businesses have created approximately 65% of net new private sector jobs over the past 15 years. This budget will help us give even more small firms the tools to create jobs, to lead us to recovery, and to lay a strong economic foundation for America.

Thank you and I'm pleased to take your questions.

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